

**Greater Mekong Subregion
Economic Cooperation Program**

FOURTH MEETING OF THE TRADE FACILITATION WORKING GROUP

11-12 November 2004

Kunming, Yunnan Province

People's Republic of China

SUMMARY OF PROCEEDINGS

Introduction

1. The Fourth Meeting of the Trade Facilitation Working Group (TFWG-4) was held on 11-12 November 2004 in Kunming, Yunnan Province, People's Republic of China. The Meeting was co-chaired by Mr. Sun Yuanjiang, Director, Department of International Trade and Economic Affairs, Ministry of Commerce, People's Republic of China; and Mr. Robert Boumphrey Director, and Ms. Lingling Ding, Trade Economist, Governance, Finance and Trade Division, Mekong Department (MKGF), alternating for ADB.

2. The principal objective of the TFWG-4 meeting was to discuss concrete initiatives in trade facilitation taking into account the four areas agreed upon at the third TFWG meeting, namely: (i) improving modern border management systems (customs facilitation, transit and transport regimes, multimodal transport operations, etc.); (ii) developing supportive structures for GMS exporters; (iii) developing market information networks to facilitate trade linkages; and (iv) development of e.commerce systems. The Meeting also discussed the action plan on trade and investment facilitation referred to in the Joint Summit Declaration of the GMS Leaders at the first GMS Summit held in Phnom Penh in November 2002. Representatives from development partner organizations were invited to share information on their current and planned initiatives in trade facilitation in the GMS. The Meeting agenda is in [Appendix 1](#).

3. GMS senior officials responsible for trade and customs attended the Meeting. Representatives from the Japan Bank for International Cooperation (JBIC), Japan Overseas Development Corporation (JODC), the World Bank, and the Yunnan Chamber of Commerce also attended. ADB staff and consultants also participated in the Meeting. The list of participants is in [Appendix 2](#).

Session I. Opening Session

4. Mr. Chen Hangao, Deputy Director, Department of Commerce, Yunnan Province welcomed the participants on behalf of the Government of PRC. He noted that economic cooperation in the GMS has contributed to a rapid increase in trade between PRC and the rest of the GMS countries from \$1.93 billion in 1992 to \$10 billion in 2000. The trade structure also improved consistently, as reflected in the increase in trade volumes for high value-added products. He cited the preferential tariffs extended by PRC to Cambodia, Lao PDR, and Myanmar under the Early Harvest Program of the Framework Agreement on Economic Cooperation between ASEAN and PRC. PRC and Viet Nam have signed a plant quarantine protocol on rice imports and have initiated consultations on single stop inspection at common borders. He expressed optimism over the good progress of discussions on the ASEAN-PRC Free Trade Area, which could open a new era of trade in the subregion. Mr. Chen stressed PRC's ongoing

commitment to promoting good relations and partnerships with its neighbors through regional cooperation, which could contribute to further increasing trade and investment for the benefit of the peoples in the subregion.

5. Mr. Robert Boumphrey, ADB stated that the main task of the TFWG is to build on the elements of GMS cooperation on trade facilitation endorsed by the last TFWG meeting. The TFWG's task is made more compelling by the accelerating pace of regional integration and also the fact that most of the GMS economic corridors will be completed during the period 2008 and 2012. He recalled the strategy of the three C's adopted by the 12th Ministerial Meeting in Dali in September 2003 ---- connectivity, competitiveness and community --- as the way forward for the GMS. With much of the connectivity in the GMS having been established, the GMS Program would now focus on competitiveness with trade facilitation as one of its core components. He said that no less than the first Summit, recognizing the tremendous trade opportunities in the subregion, called for an action plan on trade and investment facilitation. Given the importance of trade facilitation, the TFWG must consider ways for enhancing its effectiveness through the following measures. (i) continuity of country representation in the TFWG must be sustained through the designation of senior-level GMS trade focal persons; (ii) the TFWG should consider specific modalities for involving the development partners, including the private sector in its activities; and (iii) the GMS countries must take a more active role in conducting the activities of the TFWG.

Session II. Exchange of Views on Recent Policies and Trends on Trade Facilitation in the GMS

6. Mr. Khun Nhem, Deputy Director, Excise and Customs Department, Ministry of Economy and Finance, Cambodia stated that reforms are ongoing to meet the requirements of ASEAN, WTO and GMS cooperation. The priority areas of reform are the legal framework, infrastructure development, tourism promotion and trade and investment facilitation. A new law on customs has been drafted which provides for (i) the adoption of the WCO Harmonized Commodity Description and Coding System; (ii) implementation of the WTO Valuation Agreement; (iii) establishment of a dispute settlement mechanism; (iv) exchange rate policy and conversion of currency; (iv) transparency of trade and customs procedures and practices; (v) streamlining and simplifying of customs procedures; and vi) the application of IT in the clearance process. In addition, Cambodia has introduced measures to improve the enabling environment for business (e.g. shortening the number of days for approval of investment projects; extending the number of years for land leasing to foreign investors, etc.) with the assistance of the World Bank. Other important measures include the review of logistics at Sihanoukville Port; payment method thru the banking system; and internal coordination of government agencies in respect of implementing single window and single stop customs inspection. Although progress has been made, several challenges remain. Private sector awareness of holistic trade facilitation is lacking and trade logistic development and facilities are still inadequate. Skills are also lacking in dealing with international standards, best practices and modern information technology. In order to speed up the trade facilitation process, Mr. Khun Nhem suggested to conduct awareness workshops on trade facilitation for the private sector; speed up the operation and functioning of the four sub-committees established under the CBTA; encourage private sector and development partners to participate in infrastructure development and trade related logistics; enhance GMS customs cooperation in the areas of harmonization

and simplification of customs procedures; and promote human resource development through trainings, workshops and seminars.

7. Ms. Lli Jia, Department of International Trade and Economic Affairs, PRC stated that since PRC's accession to the WTO, the country has witnessed a series of major reforms on the foreign trade policy regime. These reforms include: (i) improvements on the legal framework including the Foreign Trade Law and the Administration of Commodity Import and Export; (ii) increased transparency of foreign trade policies, laws and regulations; (iii) reduction of tariff and non-tariff measures; and (iv) the abolition of restrictions on foreign enterprises to enable them to compete on equal footing with local enterprises. In the future, PRC will continue to further reduce tariffs in line with its commitment to WTO. The concerned ministries in PRC are also taking steps to work together to promote trade facilitation for foreign enterprises. Despite these efforts, a number of issues and challenges remain, namely: lack of access to reliable information on foreign trade policies and laws of the GMS countries; inadequate infrastructure and logistics, undeveloped customs clearance and quarantine and inspection procedures; and ineffective trade facilitation policies and procedures. To deal with these trade facilitation challenges, Ms. Li suggested the following areas for regional cooperation: (i) dissemination of foreign trade policies and market information to the business sector by establishing an information platform or by utilizing the website of the GMS Business Forum; (ii) further enhancing cooperation in infrastructure; (iii) provision of effective logistics and transportation service to business sectors, including opening temporary airline and railway transport to address seasonal shortages; (iv) further coordination and simplification of customs clearance and inspection procedures in line with international practices; (v) development of capacity building programs for trade and customs officers to ensure proper implementation of trade facilitation measures; and (vi) drafting of a long-term and systematic action plan on trade and investment facilitation to help GMS countries to reach their goals in a coordinated manner.

8. Mr. Khemdeth Sihavong, Deputy Director, Foreign Trade Department, Lao PDR discussed recent policy developments in the trade sector, which included progressive trade liberalization, export promotion including maintaining and expanding to new markets, encouraging foreign and domestic investment, promoting small scale border trade, and facilitation of transit services and promotion of on-site export; and strengthening participation in bilateral and multilateral trading arrangements in line with the country's international commitments. As regards trade and investment facilitation, Lao PDR has undertaken efforts at streamlining customs procedures, increasing administrative efficiencies, and improving the legal framework. Progress has also been made in information sharing and capacity building. Mr. Sihavong reported that the Government has reorganized and renamed the National Transport Facilitation Committee, which has the mandate to review, monitor and implement bilateral, trilateral and multilateral agreements entered into by Lao PDR. Under the Cross Border Transport Agreement (CBTA), Lao PDR and Viet Nam are in the process of negotiating a Memorandum of Understanding for initial implementation of single-stop and single window inspection at the Dansavanh-Lao Bao border crossing. The Government desires to finalize the annexes and protocols of the CBTA and to start its early implementation. As regards document alignment, the Government has applied the Single Administrative Document (SAD) in accordance with the UN Layout Key since 2000. Lao PDR plans to conduct a survey on obstacles to trade facilitation and investment with the active participation of private business and identify areas where further capacity building work is required.

9. U Than Win, Director, Customs Department, Myanmar gave an overview of the country's trade with the GMS countries. Trade with PRC has increased significantly over the period 1999 to 2003 but declined in the period 2003-2004; trade with Thailand has also significantly increased up to 2002-2003; trade with Viet Nam is still less than expected, while trade with Lao PDR and Cambodia are negligible. To further promote trade and economic development, Myanmar is participating actively in the Ayeryawady-Chao Praya-Mekong Economic Cooperation Strategy (ACMECS), which involves Cambodia, Lao PDR, Thailand and Viet Nam. To facilitate border trade with PRC, Myanmar has allowed currencies of neighboring countries, and not only the US dollar, as a medium of exchange at the borders. The Myanmar Economic Bank has also opened offices at border check-points for commercial transactions of overland trade with neighboring countries. In addition, Myanmar has progressively increased the number of gates at the border with PRC, Thailand, and Lao PDR. Although Myanmar has not been involved in the implementation of single-stop customs inspection, it has been implementing single window inspection at its borders since a decade ago. Government officials from concerned agencies have recently visited Cambodia, Lao PDR and Thailand with the view to implementing single-stop customs inspection at the border with these countries under the ACMECS framework. For overseas trade, Myanmar has set up a committee on Port Freight Handling to expedite clearance and licensing of goods, and post clearance audit legislation has been drafted. Training courses on the new customs procedures have been conducted for the private sector. Joint trade committees have also been established as part of bilateral agreements with Thailand and Viet Nam to tackle trade-related problems. To help address outstanding issues and challenges, Myanmar has suggested the following areas for regional cooperation: (i) continue with efforts to improve the transport network; (ii) address weaknesses in telecommunications infrastructure; and (iii) promote human resources development.

10. Mr. Nophadol Sarawasi, Director, Bureau of Trade Initiatives, Thailand stated that the GMS countries have greatly benefited from various aspects of trade cooperation under various regional frameworks such as the GMS Program, ACMECS, the Initiative for ASEAN Integration (IAI), and other programs of assistance to the CLMV countries. Thailand's current trade initiatives has two objectives: (i) to increase the level of trade among GMS countries; and (ii) to assist GMS member countries in developing market system and the private sector. Three strategic activities to pursue these objectives are (i) trade missions, (ii) contract farming, and (iii) the establishment of a wholesale and export market center and one stop service (OSS) at the border areas. He proposed that the GMS Program could collaborate further on e-commerce systems; the establishment of a border economic area at Chiengrei Province, and joint government-private sector field visits. Mr. Chaiyut Kumkun, Director of Passenger Processing Division, Bangkok International Airport Customs House reported that the Customs Act of Thailand is regularly updated to align with international commitments and conventions. Recently, the customs rules and regulations have also been revised to speed up customs procedures. These include rules and regulations governing transshipment, GATT valuation, and minimizing physical inspection for imported goods by 10% and exemption of exported goods; implementation of the one-day clearance program and time release guarantee; the implementation of OSS; and the simplification of customs procedures to ease movement of passengers by air. Mr. Chaiyut reported that Thailand has extensively applied information technology (IT) to trade facilitation through e-declaration, e-payment, and e-manifest systems. The key issues and challenges to trade facilitation include: (i) the threat of terrorism and the need for social safety; (ii) the need to promote awareness

of the logistics supply chain; and (iii) unevenness in customs-related infrastructure among the GMS countries. He suggested that regional cooperation in trade facilitation focus on capacity building and exchange in customs and related information.

11. Mr. Do Chi Dung, Head of the Solutions Division, E-Commerce Department, Ministry of Trade, Viet Nam presented the country's recent efforts at trade and customs facilitation. Modernization of customs procedures has been initiated the application of electronic customs clearance, but the legal environment for electronic data interchange (EDI) has yet to be developed. Several government agencies have started posting trade information on the web; however, public online services are not fully developed, making access difficult. As regards the development of e-commerce, the legal environment has been established and there is a general awareness of the importance of e-commerce application in business. The technical infrastructure for e-commerce, however, remains largely undeveloped. Mr. Dung cited the slow progress in developing legislative documents (e.g. law on electronic transactions, electronic payment, etc.) as a major challenge to improving the business environment in Viet Nam. Other challenges include cumbersome structures in the IT sector, complicated and undeveloped administrative procedures, weak human resource capacity, and the difficulty of changing traditional ways of doing business. He suggested the setting up of a GMS Portal where trade and investment information can be shared among the GMS countries and the private sector.

Session III. Review of Trade Facilitation Issues in the GMS

Background and Issues Paper on Trade Facilitation in the GMS

12. Messrs. Leon Khor and Aloysius Lim, ADB consultants on trade facilitation, presented the highlights of the Background and Issues Paper on Trade Facilitation in the GMS, which was prepared for the TFWG and earlier circulated to the GMS countries. The paper reflects the outcomes of GMS country consultations and recommends areas of intervention.

13. Mr. Khor outlined the major trade facilitation issues resulting from the country consultations as follows: (i) the lack of institutional capacity; (ii) the need for practical studies on transport issues along the GMS economic corridors; (iii) lack of harmonized trade and customs laws; (iv) cumbersome trade documentation procedures; (v) lengthy customs inspection; (vi) need for cross-border trade data; and (vii) development of the trade logistics sector. He proposed a trade facilitation framework based on desired outcomes of regional cooperation, namely: (i) capacity building and institutional strengthening; (ii) enabling policy environment; (iii) improvements in the trade facilitation regulatory framework; (iv) development of effective trade statistics, including IT applications; (v) access to trade finance; (vi) human resources development; and (vii) logistics industry development. Mr. Khor explained in further detail the scope of possible cooperation activities in each of these areas which are contained in the Background and Issues Paper.

14. Mr. Lim provided a more detailed explanation on the logistics sector --- its evolution and development, the role of government in macro-supply chain management, and recent developments in road, rail, air and maritime transport in the GMS. He noted that the logistics sector in the GMS countries is at different stages of development and such a situation could pose some difficulties for cross-border trade. Logistics development has evolved from physical distribution, to integrated logistics system and,

more recently to supply chain management. Supply chain management, which is the most advanced logistics system, implies a significant role for government in terms of formulating appropriate policies and legislation, developing transport infrastructure, developing human resources, improvements in trade facilitation, and promoting IT applications. In emphasizing the importance of trade logistics, Mr. Lim cited a finding that an increase of 10% in transport cost will decrease trade volume by 20%. Mr. Lim also discussed recent trends in the transport sector that has a bearing on the logistics sector, namely: privatization trends in the air transport industry; private sector financing of road infrastructure through BOT and similar schemes; revival of railway routes; private sector participation in ports development and services; and chartering of maritime services.

Discussion on the Background and Issues Paper

15. Ms. Ding, ADB invited the attention of the meeting to the proposed GMS Trade Facilitation Framework comprised of seven elements: (i) capacity building and institutional strengthening; (ii) policy environment; (iii) strengthening of trade regulatory framework; (iv) cross-border trade information and ICT application; (v) logistics industry development; (vi) access to trade finance and the strengthening of the payments system; (vii) human resources development for trade/logistics facilitation. It was explained that this framework is intended to be the basis for countries to identify and prioritize projects.

16. Ms. Ding explained that the proposed GMS Framework tabled at TFWG-4 presents a wider and holistic perspective on trade facilitation. It expands on the framework and elements discussed at TFWG-3. She invited the GMS countries to further consider the proposed Framework and submit their comments to the ADB as soon as possible.

17. PRC requested clarification on the proposed GMS Framework in relation to the framework discussed at TFWG-3. The observation was made that the proposed GMS Framework might be too ambitious and needs to be further focused. A starting point for action needs to be identified.

18. Cambodia commented that the Framework seems to focus only on the software side of trade facilitation and spoke of the need to balance its components dealing with infrastructure development.

19. Myanmar and Viet Nam supported the idea of involving the private sector more actively in addressing trade facilitation issues and suggested that private sector representatives be invited to the next TFWG Meeting.

20. Mr. Smith, World Bank agreed fully that trade facilitation should be regarded as a holistic manner and should replace the more conventional approach that looks at trade facilitation in silos. He stressed the importance of involving the private sector in national mechanisms or bodies on trade facilitation as they are the best source of information on problems and issues and can contribute effectively in recommending solutions.

21. Mr. Shinoda, JODC shared the World Bank view and observed that trade facilitation measures are driven from the supply side (i.e. the governments) and fails to take into account the demand side (i.e., the private sector).

Session IV. PRC Proposal: Action Plan on Trade and Investment Facilitation

GMS Trade Facilitation Seminar

22. Mr. Yin Yonglin, Director, Department of Commerce of Yunnan Province presented the highlights of the Trade Facilitation Seminar held on 10 November 2004, in Kunming. About 50 participants from relevant ministries of PRC, concerned departments of Yunnan Province, private sector representatives, and officials from GMS countries attended the seminar. The seminar discussed a wide-range of issues in trade facilitation. Some of the key points raised in the seminar are as follows: (i) both the hardware and software aspects of trade facilitation need substantial improvements in the GMS countries; (ii) even if remarkable progress has been achieved in infrastructure construction, the present state of logistics facilities in the GMS is not adequate to satisfy the requirements of trade facilitation; in China alone, the cost of logistics accounts for about 20% of the GDP, which is double of the figure in developed economies; (iii) more efforts are required to improve the software aspects of trade facilitation; challenges include different procedures and requirements for customs declaration and clearance, commodity inspection and quarantine; constraints in the mobility of people, including exit permits and visa applications; and limited English communication skills. The seminar provided the opportunity for the participants to have in-depth discussions on trade facilitation issues in the GMS. In particular, the perspectives and suggestions from the private sector were very useful.

Trade and Investment Facilitation Action Plan (TIFAP)

23. Mr. Pang Chenguin, Department of International Trade and Economic Affairs, Ministry of Commerce, presented the draft of the Trade and Investment Facilitation Action Plan (TIFAP). PRC first proposed this plan to the GMS Senior Officials Meeting in June 2002 and subsequently to the 11th Ministerial Meeting in September of the same year. The first GMS Summit endorsed it in November 2002. It was explained that the TIFAP seeks to tap the full potential of regional cooperation under the GMS framework. A systematic action plan would provide a long-term perspective to individual country's trade facilitation efforts and allow them to move in a coordinated manner.

24. As reflected in the draft, the goals of the TIFAP are to: (i) achieve common development and prosperity by creating a favorable environment for trade and investment; (ii) realize a significant reduction in transaction cost by simplifying procedures and improving efficiencies; (iii) enhance the free movement of business people; and (iv) improve administration and management through capacity building. The proposed priority areas for action are:

- i) customs procedures: to promote simplification, harmonization and transparency in customs procedures with a view to reducing trade barriers and minimizing transaction costs;
- ii) inspection and quarantine measures: to promote harmonized inspection and quarantine measures based on international standards;

- iii) trade logistics: to simplify and harmonize transport regulations and procedures so as to increase efficiency in the delivery of goods and reduce transaction costs;
- iv) mobility of business people: to enhance the mobility of business people in the conduct of trade and investment;
- v) investment promotion: to improve the GMS investment environment so as to enhance investment flows; and
- vi) capacity building: to strengthen the technical assistance and improve human resource development with the view to upgrading professional skills of government officials in implementing trade and investment facilitation measures.

25. A set of actions has been identified for each of the above areas. As regards the implementation modality, the draft indicates that the TFWG will be responsible for reviewing and implementing the TIFAP; ADB's role is to work with the TFWG in coordinating progress in the above priority areas. The draft TIFAP is in [Appendix 3](#).

Discussions on the TIFAP

26. Mr. Chiayut, Thailand pointed out that there should be a strong correlation between objectives/goals, strategy and the action plan. An action plan should be accompanied by measurable outcomes and a timeframe against which to monitor results. Thailand suggested that projects need to be developed and prioritized under the action plan. They referred to the TFWG-3 where the GMS countries have already agreed on a work plan and inquired about the status of the single-stop customs inspection initiative at Bavet and Moc Bai, and the establishment of a trade and information database.

27. Mr. El-Hifnawi, World Bank noted that the TIFAP has a lot of merit but needs to have timebound, measurable objectives. He suggested that each country may wish to propose measurable indicators with a timeframe frame of one to three years.

28. Mr. Zhang, PRC informed that the GMS Summit Task Force and the GMS Senior Officials have discussed the formulation of an action plan on trade and investment facilitation as a deliverable the second GMS Summit. As proposed by PRC, the draft TIFAP goes beyond the scope of the TFWG, consistent with the holistic approach. It is envisaged therefore that other GMS working groups would be involved. Mr. Zhang suggested that the draft TIFAP be submitted to the GMS National Coordinators with the request that they initiate national-level consultations with the relevant ministries. Moreover, the TIFAP implies that the GMS countries need to take both national and collective action to reach set goals. These actions need not be taken simultaneously but what is important is that actions at both national and subregional levels move in the same direction in a coordinated manner. He stated that the TIFAP would be tabled at the SOM to be held in Vientiane in December 2004 to seek guidance on the action plan.

29. Mr. Sun, PRC requested the GMS countries to propose measurable indicators and timebound goals to further improve the action plan. At the request of the GMS countries, PRC agreed to circulate a revised draft TIFAP as soon as possible to enable the GMS countries to provide their comments before 30 November 2004. Countries should also identify their capacity building and other technical assistance needs as a basis for approaching donors for possible support.

30. Mr. Kun Nhem, Cambodia agreed with the draft TIFAP in principle but stressed that the priority areas identified should be in coordination with the current work of other GMS working groups. He informed the meeting of the four subcommittees (customs, immigration, transport, and health and quarantine) established under the Joint Committee of the CBTA and proposed that their terms of reference be considered to avoid possible duplication of work. He proposed that the wording of para 3 (under the section on Implementation Framework) be recast to reflect the idea that the TFWG must coordinate with other GMS working groups in monitor the progress of the TIFAP.

31. Daw San San Lynn, Myanmar expressed the view that the action plan should recognize the difference between the more advanced and less developed countries in the GMS. The more advanced countries should take the lead in certain aspects of the action plan and should provide assistance to the less developed members in carrying out some of the activities.

Session V. Trade Facilitation Initiatives for the GMS Supported by the Development Partners

Japan Bank for International Cooperation (JBIC)

32. Mr. Fukuwa reported on the results of the trade facilitation studies conducted by JBIC for the Second Mekong International Bridge (SMIB). The study identified major constraints for freer movement of freight, namely (i) rigid customs transit practices between Thailand and Viet Nam transiting through Lao PDR, as well as transit through Thailand between Lao PDR and a third country; (ii) duplicating border controls between Thailand and Lao PDR, involving two-stop instead of single stop inspection, sequential rather than simultaneous inspection for customs, immigration and quarantine, a high rate of freight inspection (100% of the shipment is inspected) and limited hours of operation at border checkpoints; and (iii) inefficient transport and handling practices, such as double handling of cargoes at the border, absence of door-to-door transport service, etc. The study recommended an action plan to address the above problems.

Japan Overseas Development Corporation

33. Mr. Shinoda discussed JODC's support for trade facilitation in the GMS under the framework of the AEM-MITI Economic and Industrial Cooperation Committee (AMEICC). Under the West – East Corridor (WEC) Development Program of AMEICC, an industrial and logistical network is envisaged to be set up along the corridor that would link industrial clusters and special economic zones. Mr. Shinoda identified specific issues to be resolved for land and ocean transport along the WEC such as long transit time, inefficiency of customs procedure at the borders, inadequacy of insurance and logistics systems, and lack of transfer site for trucks at the border areas. He stressed the importance of establishing a commercially viable land transportation network for the production of parts and products of the manufacturing industry. There are about 1,200 Japanese firms in the automobile and electronics industries operating in industrial clusters in Thailand and over 300 Japanese firms in Viet Nam procuring materials from Thailand utilizing ocean transport.

The World Bank

34. Mr. El-Hifnawi's presentation covered the World Bank's trade facilitation efforts in the GMS countries. He described the World Bank's holistic approach to trade facilitation, which seeks to identify impediments to trade in various areas such as customs, transport, ports, standards, procedures, regulations, and finance. The World Bank has developed toolkits, and conducted analytical studies and projects, both at the regional, national and community levels in support of trade facilitation. The World Bank has also sponsored the Global Facilitation Partnership (GFP) as a platform for disseminating information; GFP core partners include UNCTAD, WCO, UNECE, UNIDO, IRU, and TIAC. Country level efforts in the GMS include analytical work and research in PRC, Lao PDR and Viet Nam in the area of trade logistics development and impacts on poverty reduction. In addition, a transport and logistics regulatory review is ongoing in Viet Nam, and a trade facilitation project in the context of the Integrated Framework is planned for Lao PDR in 2005. Projects in the GMS with trade facilitation impacts include the Mekong River Transport Project and the Customs Modernization Project in Viet Nam, and Trade Facilitation and Competitiveness in Cambodia. Mr. Baher said that the World Bank would continue to support trade facilitation efforts in the GMS through stronger engagement with member countries and in partnership with other development organizations such as ADB, ASEAN, and ESCAP.

35. Mr. Smith shared the World Bank's experience in the course of implementing the Transport and Trade Facilitation Project in Southeast Europe (TTFSEE), a regional investment program with a total cost of \$120 million of which the World Bank contributed \$78 million. The program components included a technical assistance for border agency modernization, a technical assistance for single window inspection, and physical improvements at the border, among others. The Program's main goal is to reduce processing time, reduce corruption and red tape, and increase the effectiveness of border controls. The TTFSEE has been regarded as a highly successful project owing to the strong commitments of the borrower governments, the eagerness of the private sector, good donor coordination, wide stakeholder participation, and effective peer pressure among the countries. The program has been highly successful in reducing waiting time, increasing revenue collections and trade volumes, and reducing border crossing times, among others. Despite the program's success, several challenges remain to be addressed. These include raising awareness of the private sector on the trade logistics system, addressing the conflicting objectives of revenue collection and trade facilitation, weak interagency coordination, the need for more dialogue with the private sector, and promoting transparency regarding procedures.

Asian Development Bank

36. Ms. Carol Guina updated the TFWG on the status and recent developments regarding the CBTA which is a major ADB-supported initiative for transport and trade facilitation under the GMS Program. The CBTA entered into force in December 2003 following ratification by all GMS countries. Negotiations of annexes and protocols have been staged according to the ease of reaching agreement. Negotiation for Stage 1 annexes and protocols was completed in 2003 and was signed in April 2004. Negotiations of Stage 2 annexes and protocols have taken place in 2004, and Stage 3 will take place in January 2005. Negotiations on Stage 2 annexes have reached agreement on four annexes that will be signed on the occasion of the 13th GMS Ministerial Conference in Vientiane on 16 December 2004. To further accelerate

implementation of the Agreement, discussions for the initial implementation of single stop and single window inspection at selected border crossings have started. These border crossings include: Hekou (PRC) --- Lao Cai (VIE), Dansavanh (LAO) --- Lao Bao (VIE), Bavet (CAM) --- Moc Bai (VIE), Aranyaprathet (THA) --- Poipet (CAM), and Mukdahan (THA) --- Savannakhet (LAO). As part of the initial implementation of the CBTA (IICBTA), the modalities for single-stop and single window customs inspection are being arranged at the Hekou-Lao Cai, Bavet-Moc Bai, and Lao Bao-Dansavanh border crossings to demonstrate the benefits of trade facilitation measures. A Tripartite Meeting has been held for the Dansavanh-Lao Bao Border Crossing, which agreed on a final draft MOU for the Initial Implementation of the Cross-Border Transport Agreement (IICBTA) for single stop and single window inspection, including an agreed model for the phased implementation in four stages. The signing of the MOU is targeted for the 13th Ministerial Meeting. A preliminary meeting for the IICBTA at the Mukdahan-Savannakhet and Aranyaprathet-Poipet Sisophon border crossings has also agreed to draft an MOU for the IICBTA.

Session VI. Private Sector Views on Trade Facilitation

37. Mr. Su Zhengguo, Chairman of the Yunnan Provincial Chamber of Commerce cited the importance of the ASEAN-China Free Trade Area (FTA) to Yunnan Province. Since the implementation of the Early Harvest Program under the ASEAN-China FTA, trade volumes between Yunnan Province and ASEAN countries have increased significantly. The Agreement has given Yunnan Province a wider space to open to the outside world and establish stronger economic ties with its neighbors. The Lancangjiang-Mekong River Subregional Cooperation (the GMS Program) has also provided Yunnan Province with wider economic and trade opportunities with neighboring countries. The opening of commercial navigation along the Lancangjiang-Mekong River, the construction of the Kunming-Bangkok Highway as well as the east line of the Pan Asian Railway have contributed significantly to the economic development of the Province. Despite these developments, Yunnan Province continues to face several challenges --- difficulties in industrial restructuring, slow pace of reform in foreign trade, weaknesses in the financial system, uncompetitive enterprises, and low levels of foreign investment utilization, among others. He attached great importance to trade facilitation initiatives in the GMS, as it will further enhance economic opportunities among neighboring countries in the subregion.

Session VII: Formulation of the TFWG Action Plan: Projects and Concrete Initiatives

38. The Meeting considered four project proposals, which were developed based on the roundtable consultations undertaken by the ADB commissioned-experts in the course of preparing the Background and Issues Paper on Trade Facilitation. These four projects are:

- Project 1. Trade Flow and Logistics Analysis --- Costs of Using the GMS Economic Corridors
- Project 2. GMS Trade Document Alignment
- Project 3. Trade Data Analysis (TDA) for GMS
- Project 4. Trade Logistics Industry Development Strategy for the GMS

39. The following comments were made on the proposals:

- Cambodia indicated support for the projects in principle but proposed to combine Projects 1 and 4. Project 3 should be deferred, until after a survey or investigation has been conducted to establish the status of the data collection system in the GMS countries. IT application to data collection should be a major consideration when the project is implemented.
- PRC sought clarification on who will implement the project proposals. They also raised the question as to how these projects emerged as priorities based on the proposed GMS strategy for trade facilitation. PRC is of the view that a good foundation would be required to implement Projects 1 and 4 so it may take time before these projects could be implemented. As to Project 3, significant work has already been done under the ASEAN framework (e.g. on tariff nomenclature, export and import declaration forms) and should be taken into account in implementing the project. Projects 2 and 3 can be combined.
- Lao PDR indicated that Projects 1 and 4 are very relevant and should be combined.
- Myanmar indicated that the implementing agency for Myanmar for Project 1 should be the Ministry of Transport, and for Project 3, the Ministry of National Planning.
- Thailand suggested that Project 1 should be given priority. In determining logistics cost, consideration should be given to consumer satisfaction. A sensitivity analysis for determining logistics cost should be incorporated in the study. While Projects 1 and 4 would take time to implement, Projects 2 and 3 can be implemented immediately. Project 3 on TDA could utilize the support and involvement of business councils.
- JODC suggested that Project 2 may wish to focus on the 11 priority sectors identified for integration under the ASEAN Economic Community. Customs procedures for these 11 sectors are targeted to be aligned by 2006-2007 and are being discussed under the ASEAN-China framework.
- The World Bank raised the question as to how the four projects emerged from the trade facilitation framework. The implementation modalities for the projects need to be further elaborated. The timeframe for project implementation seems tight. The World Bank agreed with the suggestion to combine Projects 1 and 4 and proposed that these projects be linked closely with the multimodal transport study being planned by the Subregional Transport Forum.

40. ADB indicated that the project proposals will be revised to take into account the comments made and that the revised proposals will be circulated to the countries for review. As there was general endorsement of the project concepts, these projects will form part of the work plan of the TFWG to be submitted to the SOM in December 2004.

41. PRC presented a project proposal on Trade Facilitation Promotion in the GMS. The project will identify policy, regulatory and administrative impediments to trade facilitation in the GMS and recommend solutions to them. The project will involve all GMS countries.

42. The following comments were made on the proposal:
- Cambodia noted that the project included single stop customs inspection and single window inspection as long-term goals. This should not be the case as there has been substantial progress in implementing these customs facilitation schemes. There is also a need to clarify or modify the reference to a “united and standardized customs inspection and clearance rules” as this may not be feasible considering the different stages of development of the GMS countries.
 - PRC clarified that the proposal seeks to provide further inputs to the TIFAP.
 - Thailand observed that there could be a possible duplication between the PRC proposal and Projects 1 and 4.
 - Myanmar suggested further clarification on the role of the research group. PRC explained that the research group would involve members from other GMS countries.
 - Viet Nam suggested that the proposal: (i) elaborate further on the implementation and monitoring mechanisms; (ii) indicate the specific beneficiaries; and (iii) clarify the relationship with the four projects.
43. Mr. Sun, as Chair requested ADB and PRC to work together in reformulating the proposal so that it complements the four projects earlier discussed.

44. Viet Nam proposed the establishment of a GMS Portal as an additional project. The GMS countries requested for a more detailed project concept on the proposal.

Session VIII. Consideration of the Draft Report of the TFWG-4 to the SOM (14 December 2004, Vientiane Lao PDR)

45. ADB presented the draft report of the TFWG to the SOM, which will be held on 14 December 2004 in Vientiane, Lao PDR. The report presents the meetings/workshops held since the 12th Ministerial Meeting and the topics discussed; a summary of achievements and on-going initiatives, and proposed future directions and an action plan.

46. The GMS countries considered the draft report and provided comments. On this basis, ADB will revise the draft report and will circulate the same to the GMS countries for final review.

Session IX. Other Matters

Establishment of Customs Subcommittee under the TFWG

47. PRC requested clarification on the status of the customs subcommittee under the TFWG. ADB explained that an ad hoc subcommittee on customs met in 1999 to determine the areas of priority in customs cooperation since customs facilitation was identified as a priority area in GMS trade cooperation. The ad hoc subgroup agreed on seven areas of priority in customs cooperation, namely: (i) single-stop inspection; (ii) single-window inspection; (iii) coordination of hours of operation; (iv) transparency of customs procedures; (v) adherence to the Kyoto Convention; (vi) automation of customs

procedures; and (vii) compatibility of statistics and data elements in customs declaration forms. A workshop on customs facilitation was subsequently convened in Hat Yai in 2001 to discuss cooperation modalities in the seven areas. At the 12th Ministerial Meeting in Dali, PRC proposed to strengthen cooperation in trade facilitation through the development of a comprehensive customs strategy as well as the establishment of a special subgroup on customs. The Ministers has made no clear decision on this proposal.

48. ADB was requested to prepare an information paper on the status of the subgroup on customs to be circulated to the GMS countries. On the basis of this information paper, the GMS countries will be requested to indicate whether they wish to revive the proposal to establish a subcommittee on customs under the TFWG.

Designation of Focal Persons for the TFWG

49. ADB will be writing officially to the GMS countries to request for the designation of a focal person(s) for the TFWG to ensure continuity of participation in meetings and activities of the working group.

Date and Venue of the Next TFWG Meeting

50. The TFWG agreed to schedule its regular TFWG meeting in November 2005. The venue will be determined in due course.

Closing Remarks

51. Mr. Boumphrey expressed his appreciation to the Government of PRC, and in particular to the Yunnan Provincial Government for hosting the Meeting and for all the excellent arrangements. He thanked all the participants for their active participation in the meeting and welcomed the proposal for involving the private sector in the future meetings of the TFWG.

52. Mr. Sun like wise thanked all the participants, including the development partners for their valuable contributions to the Meeting's deliberations. He thanked ADB for its guidance and strong support to the Meeting. He hoped that henceforth the TFWG will become more active in pursuing the various initiatives it has endorsed during the meeting.

**Greater Mekong Subregion
Economic Cooperation Program
4th Meeting of the Trade Facilitation Working Group (TFWG)
11-12 November 2004
Kunming, Yunnan Province
People's Republic of China**

AGENDA

11 November 2004 (Thursday)

Chair: People's Republic of China

Co-Chair: Asian Development Bank

0800-0830 **Registration**

Session I **Opening and Welcome Remarks**
0830-0900

--- Mr. Chen Hangao
Deputy Director, Department of Commerce
Yunnan Province, PRC

--- Mr. Robert Boumphrey
Director, MKGF, ADB

Session II **Exchange of views on recent policies and trends on trade**
0900-1000 **facilitation in the GMS**

Chair: Each GMS country gave a comprehensive presentation on the topic
PRC highlighting recent efforts at trade facilitation, issues and challenges, are
possibilities for subregional cooperation.

--- Cambodia
--- PRC
--- Lao PDR
--- Myanmar
--- Thailand
--- Viet Nam

1000-1015 *Coffee/Tea Break*

Session III **Review of Trade Facilitation Issues in the GMS**

1015-1200 A Background and Issues Paper on Trade Facilitation was discussed.
Chair: The paper (i) defines the concept of trade facilitation: (ii) reviews the
ADB trade facilitation initiatives undertaken by the GMS countries and
development partners: (iii) reviews proposals made in previous TFWG
meetings: (iv) identifies major trade facilitation issues in the GMS; and (v)
suggests key elements of an action plan on trade facilitation.

--- Messrs. Leon Khor, and Aloysius Lim
ADB Consultants on Trade Facilitation

1200-1330 *Lunch*

Session IV PRC Proposal: Action Plan on Trade and Investment Facilitation

1330-1400

Chair:

ADB

Under this session, PRC reported on the results of the GMS Trade Facilitation Seminar held on 10 November 2004. PRC also presented a draft of the GMS Trade and Investment Facilitation Action Plan (TIFAP) as mandated by the first GMS Summit

--- Mr. Yin Yonglin
Department of Commerce of Yunnan Province, PRC

Mr. Pang Chengjun
Ministry of Commerce, PRC

Session V Trade Facilitation Initiatives in the GMS Supported by Development Partners

1400-1515

Chair:

PRC

Development Partners, notably JBIC, JODC, and the World Bank shared information on trade facilitation initiatives that they are supporting both at the national and subregional levels in the GMS.

--- Mr. Kensuke Fukuwa, Representative, JBIC
--- Mr. Kunihiko Shinoda, Representative, JODC

--- Mr. Baher El-Hifnawi, Representative from the World Bank
--- Mr. Graham Smith, Representative from the World Bank

1515-1530 *Coffee/Tea Break*

Session VI Private Sector Views on Trade Facilitation Issues

1530-1600

Chair:

PRC

Yunnan Provincial Chamber of Commerce presented the views of the private sector on trade facilitation issues and initiatives.

1830-2100 **Dinner hosted by Ministry of Commerce and People's Government of Yunnan Province, PRC**

12 November 2004 (Friday)

Session VII Formulation of the TFWG Work Program: Projects and Concrete Initiatives

0900-1015

Chair:

ADB

Based on the discussions in Day 1, the TFWG discussed a number of project concepts to be pursued in the next three years.

1015 -1030 *Coffee/Tea Break*

1030-1130 **Continuation of Session VII**

Session VIII **Consideration of the Draft Report of the TFWG to the SOM and 13th Ministerial Meeting (14-16 December 2004, Vientiane, Lao PDR)**
1130-1150

Chair: The TFWG considered its draft report to the SOM and 13th Ministerial Meeting. The report presented among others, the achievements and ongoing initiatives of the working group, as well as the proposed future directions and work plan, as discussed by the meeting.
PRC

Session IX **Concluding Remarks**
1150-1200

1200-1330 *Lunch*

**Greater Mekong Subregion
Economic Cooperation Program
4th Meeting of the Trade Facilitation Working Group (TFWG)
11-12 November 2004
Kunming, Yunnan Province
People's Republic of China**

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GMS – Trade and Investment Facilitation Action Plan (Draft)

BACKGROUND

At the mid-term SOM held in June 2002, P. R. China proposed to formulate a plan to promote trade and investment in the Greater Mekong Sub-region (hereafter referred to as GMS). The purpose of the initiative is, through such measures as facilitation, information sharing and capacity building, to achieve the mutual advancement of and sound interaction between GMS economic cooperation and China-ASEAN Free Trade Area. The initiative was endorsed by the mid-term SOM and the 11th GMS Ministerial Conference. The first GMS Summit held in 2002 also called on GMS member states to work out an action plan in this regard.

For the past two years, GMS members have made great efforts in trade and investment facilitation by streamlining customs procedures, increasing administrative efficiency and improving legal framework, among others. Progress has also been made in the area of information sharing and capacity building. However, due to the lack of a set of clear guidelines and an action plan, advancement in trade and investment facilitation in GMS countries varies. Greater efforts are therefore needed to tap the full potential of cooperation. Against this background, China proposes that a long-term and systematic action plan on trade and investment facilitation be developed to enable GMS members to reach their goal in a coordinated manner.

Goal

The Trade and Investment Facilitation Action Plan involves adopting and implementing concrete action steps in the areas of customs procedures, inspection and quarantine procedures, trade logistics, mobility of business people, investment promotion and capacity building. The Action Plan

aims at:

- a. Achieving common development and prosperity by creating favorable environment for trade and investment.
- b. Realizing a significant reduction in transaction cost by simplifying procedures and improving efficiencies.
- c. Enhancing the free movement of business people;
- d. Improving administration and management through capacity building.

PRIORITY AREAS for Action

1. Customs procedures

Objective – To promote simplification, harmonization and transparency in customs procedures with a view to reducing trade barriers and minimizing transaction costs.

Actions –

- a. Align and harmonize the trade and custom laws/regulations with WTO and WCO standards;
- b. Increase the transparency of customs laws/regulations;
- c. Accelerate the application of one stop customs inspection;
- d. Promote the standardized and simplified documentation, including paperless systems;
- e. Collect and disseminate the information on rules of origin in respective GMS countries.

2. Inspection and Quarantine Measures

Objective – To promote the utilization of the harmonized inspection and quarantine measures based on the international standards, guidelines and recommendations of relevant international organizations among GMS members, for the sake of the protection of the environment, the quality of export product, the life and health of human, animals and plants, and the prevention of fraud and the disguised restriction on regional trade.

Actions –

- a. Enhance the communication and cooperation in the area of WTO TBT/SPS agreement among GMS members, as well as the alignment of the technical regulations, standards and conformity assessment procedures with TBT agreement, the sanitary and **phytosanitary** measures with SPS agreement among GMS members;
- b. Strengthen the communication and cooperation in the area of national border health quarantine and establish the regional declaration and monitoring network of epidemic diseases;
- c. Increase the transparency of inspection and quarantine laws and regulations;
- d. Strengthen the cooperation of relevant authorities in the area of the sharing and exchange of electric inspection and quarantine information/data;
- e. Harmonize the inspection and quarantine clearance mode and simplify the clearance procedures so as to enhance the clearance efficiency;
- f. Explore the feasibility of one-stop inspection and quarantine mode at the border crossings of GMS members.

3. Trade Logistics

Objective – To simplify and harmonize of the transport regulations/procedures so as to increase the efficiency in the delivery of goods and reduce transaction costs.

Actions –

- a. Accelerate the finalization and implementation of the Agreement for the Facilitation of Cross-Border Transport of Goods and People;
- b. Where appropriate, review and simplify the transport regulations/procedures;
- c. Improve the trade infrastructure in GMS member countries, such as navigation channels, ports and land roads, including opening temporary airline and railway transport to counter seasonal shortages, in order to establish a more convenient network of

trade logistics.

4. Mobility of business people

Objective – To enhance the mobility of business people who are engaged in the conduct of trade and investment activities in GMS.

Actions –

- a. Streamline the formalities for business travel and temporary stay;
- b. Increase the transparency of relevant laws/regulations;
- c. Enhance the use of information and communication technology (ICT) to facilitate the movement of business people across borders.

5. Investment Promotion

Objective – To improve the GMS investment environment so as to enhance the investment flows.

Actions –

- a. Increase the transparency of investment laws/regulations;
- b. Promote investment flows by means of seminars, workshops and investment exhibitions, etc;
- c. Strengthen the coordination and information sharing between and among the agencies responsible for regulating in GMS member states;
- d. Encourage one-stop investment services.

6. Capacity building

Objective – To strengthen the technical assistance (TA) and improve the human resource development (HRD) with a view to upgrading the professional skills of concerned government officials in implementing trade and investment facilitation measures.

Actions –

- a. Identify the special needs and determine the more appropriate measures for implementation;
- b. Develop the partnership with private sector, academic community,

- other international development organizations and interested donors;
- c. Conduct training programs and workshops to facilitate the sharing of best practices among the concerned officials and leverage their resource to enhance capacity building in trade and investment facilitation.

Framework for Implementation

1. The Action Plan will be submitted for consideration at the 13th ministerial conference to be held in December 2004 and for approval by the 2nd summit in 2005;
2. The implementation of the Action Plan will be reviewed annually and reported to the Summit biennially;
3. The GMS Trade Facilitation Working Group(TFWG) shall be responsible for the review and implementation of the action plan;
4. The Asian Development Bank will work with TFWG in stimulating and coordinating progress in the above priority areas.